

Message Text

LIMITED OFFICIAL USE

PAGE 01 OSLO 03266 01 OF 02 101021Z

13

ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 COME-00 SP-03 AID-20 EB-11

NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 SWF-02 DRC-01 L-03 /127 W

----- 066634

R 100800Z JUL 74

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 8434

INFO USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OTTAWA

USMISSION OECD PARIS

USMISSION NATO PARIS

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE SECTION 1 OF 2 OSLO 3266

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: BEXP, EAGR, US, NO

SUBJECT: GRAIN SALES TO NORWAY

REF: (A) OSLO A-58(NOTAL); (B) OSLO 1862 (NOTAL)

SUMMARY: THE NORWEGIAN GRAIN CORPORATION, A GOVERNMENT MONOPOLY, IS INTERESTED IN CONCLUDING A LONG-TERM CONTRACT FOR THE PURCHASE OF APPROXIMATELY 300,000 TONS OF US GRAIN A YEAR. THE CORPORATION IS NEGOTIATING OR HAS NEGOTIATED LONG-TERM CONTRACTS WITH CANADA, SWEDEN, FINLAND AND THE EC. IT WANTS COME SORT OF OFFICIAL US SUPPLY AGREEMENT, BUT IT HAS INDICATED IT WOULD SETTLE FOR AN AGREEMENT WITH THE ASSOCIATION OF US EXPORTERS, ESPECIALLY IF IT HAD OFFICIAL SANCTION. NEGOTIATION OF SUCH AN AGREEMENT AT AN EARLY DATE SHOULD BE ENCOURAGED.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OSLO 03266 01 OF 02 101021Z

FAILURE TO ACCOMODATE THE COPORATION COULD RESULT

IN REDUCED U.S. SALES. ACTION REQUESTED: GUIDANCE
FOR USE IN ANSWERING THE CORPORATION'S REQUEST FOR
MY HELP IN WORKING OUT LONG-TERM GRAIN PURCHASES
FROM THE UNITED STATES. END SUMMARY.

1. THE HEAD OF THE NORWEGIAN GRAIN CORPORATION (NGC),
MR. OLAV HOGNA, RECENTLY ASKED ME FOR HELP IN WORKING
OUT ARRANGEMENTS FOR LONG-TERM GRAIN PURCHASES FROM THE
UNITED STATES. THE NGC IS A LARGELY AUTONOMOUS PUBLIC
SECTOR NORWEGIAN COMPANY WHICH IS RESPONSIBLE FOR ALL
NORWEGIAN GRAIN PURCHASES AT HOME AND ABROAD. AS AN
OUTGROWTH OF THE TIGHT WORLD GRAIN SITUATION WHICH
EVOLVED IN 1973, THE NGC IS SEEKING TO ASSURE ITS FUTURE
IMPORT REQUIREMENTS UNDER LONG-TERM CONTRACTS. IT HAS
ALSO DECIDED TO CONCENTRATE ITS FUTURE PURCHASES TO THE
EXTENT POSSIBLE IN FOUR MARKETS-- THE UNITED STATES,
CANADA, SWEDEN AND THE EC-- AND HAS CONCLUDED A THREE-
YEAR WHEAT PURCHASE AGREEMENT WITH CANADA AND AN
AGREEMENT WITH SWEDEN. NGC STATES
THAT THE EC COMMISSION HAS REACTED FAVORABLY TO NORWEGIAN
INTEREST IN A LONG-TERM CONTRACT FOR BARLEY. THE U.S.
PRESENTS DIFFICULTIES BECAUSE IT DOES NOT HAVE A MARKETING
BOARD AS DOES CANADA AND, IN EFFECT, SWEDEN AND THE EC.
THE NORWEGIANS PURCHASE GRAIN FROM A NUMBER OF PRIVATE
AMERICAN COMPANIES BUT STATE THEY ARE RELUCTANT TO SINGLE
OUT ANY ONE COMPANY OR SMALL GROUP OF COMPANIES WITH
WHICH TO MAKE LONG-TERM AGREEMENTS (ALTHOUGH INDIVIDUAL
U.S. EXPORTERS HAVE OFFERED IT LONG-TERM CONTRACTS).

2. HOGNA'S FIRST PREFERENCE WOULD BE FOR AN AGREEMENT
BACKED BY THE U.S. GOVERNMENT. HOWEVER, HE HAS INDICATED
A WILLINGNESS TO SETTLE FOR AN AGREEMENT PROVIDING FOR
LONG-TERM GRAIN SALES TO NORWAY BY A CONSORTIUM OF
AMERICAN COMPANIES. HE HAS SAID AMERICAN COMPANIES
HE HAS TALKED TO ABOUT THIS HAVE NOT BEEN
ENTHUSIASTIC AND HAS STATED THAT THE DIRECTOR OF HIS IMPORT
DIVISION EXPLORED THIS MATTER WITH OFFICIALS OF THE DEPARTMENT
OF AGRICULTURE IN WASHINGTON THIS SPRING BUT WAS GIVEN NO
ENCOURAGEMENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OSLO 03266 01 OF 02 101021Z

3. MORE RECENTLY THE AGRICULTURAL ATTACHE, BASED IN COPENHAGEN,
AND THE WASHINGTON-BASED EXECUTIVE VICE PRESIDENT OF GREAT
PLAINS WHEAT REVIEWED IN DETAIL THE NORWEGIAN WHEAT IMPORT
REQUIREMENTS WITH HOGNA AND HIS OFFICIALS. THEY EXPRESSED THE
US DISAPPOINTMENT IN NORWAY COMMITTING ITS PURCHASES TO OTHER
SUPPLIERS ON LONG-TERM BASES IN FACE OF THE PAST POSITION THE US
HAS HAD AS A SUPPLIER AND THE FACT THAT THE US WAS THE ONLY GRAIN
SUPPLIER WHICH DID NOT RESTRICT EXPORTS DURING THE TIGHT WORLD

SUPPLY PERIODS OF THE PAST YEAR. THEY ALSO POINTED OUT THE SHORT-COMINGS THEY SAW IN THE NORWEGIAN CONTRACT WITH CANADA, INCLUDING THE ABSENCE OF A CUSTOMARY MAXIMUM PRICE GUARANTEE ON THE PART OF THE CANADIANS. IN RESPONSE HOGNA AGREED THE US HAD PROVEN TO BE A DEPENDABLE GRAIN SUPPLIER AND SAID NGC WOULD SEEK TO PURCHASE AS MUCH OF ITS REMAINING REQUIREMENTS FROM THE US AS POSSIBLE. HE NEVERTHELESS REITERATED NORWAY'S PREFERENCE FOR ASSURING SUPPLIES ON THE BASIS OF LONG-TERM CONTRACTS. IT WAS APPARENT THAT THE CONCERN OVER LONG-TERM ASSURANCES OF SUPPLY STEMMED FROM POLITICAL AND POLICY PRESSURES ON NGC FROM ITS FARMER BOARD OF DIRECTORS AND THE GOVERNMENT RATHER THAN FROM A CONVICTION THAT ACTUAL MARKET CIRCUMSTANCES REQUIRE SUCH PRECAUTIONS IN PURCHASING FROM THE US. IT ALSO SEEMED APPARENT THAT EVEN A PRO FORMA AGREEMENT WITH THE US WOULD LARGELY MEET THE POLICY REQUIREMENT.

4. WHILE THE US REPRESENTATIVES COULD OFFER NO ENCOURAGEMENT THAT THE US GOVERNMENT ITSELF COULD ENTER INTO A SUPPLY AGREEMENT WITH NORWAY, THEY DESCRIBED THE THREE-YEAR SUPPLY CONTRACT TAIWAN HAS MADE WITH THE NORTH AMERICAN GRAIN EXPORTERS ASSOCIATION (NAGEA). THE NGC SAW SUCH A AGREEMENT AS LARGELY MEETING THEIR POLICY GOALS AND EXPRESSED A KEEN INTEREST IN DEVELOPING ONE AS IT WOULD OVERCOME THEIR STATED OBJECTION TO SIGNING LONG-TERM CONTRACTS WITH INDIVIDUAL US EXPORTERS. THE GREAT PLAINS WHEAT REPRESENTATIVE AGREED TO PURSUE THE PROPOSAL WITH NAGEA WHEN HE RETURNED TO WASHINGTON AND TO ADVISE THE US DEPARTMENT OF AGRICULTURE OF THIS DEVELOPMENT.

5. IN ADDITION TO WHEAT, NORWAY WOULD WISH TO PURCHASE CORN, SORGHUM AND RYE FROM THE US UNDER ANY LONG-TERM AGREEMENT THAT MIGHT BE DEVELOPED. THE QUANTITY OF WHEAT PURCHASED FROM THE US ANNUALLY COULD VARY FROM 50,000 TO 200,000 TONS, DEPENDING ON THE EXTENT TO WHICH NORWAY EXERCISES ITS OPTIONS TO PURCHASE UNDER LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 OSLO 03266 01 OF 02 101021Z

ITS AGREEMENT WITH CANADA AND THE OUTCOME OF ITS PURCHASE ARRANGEMENTS WITH SWEDEN AND FINLAND. NORWAY'S ANNUAL REQUIREMENT FOR CORN AND SORGHUM, TRADITIONALLY ALL PURCHASED FROM THE US, IS ABOUT 100,000 TONS EACH BUT THE NGC HAS INDICATED AN INTEREST IN EXPANDING THE SORGHUM VOLUME TO 150,000 TONS TO OFFSET REDUCED USE OF WHEAT AND RYE FOR FEED BECAUSE OF PRICE FACTORS. IN

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OSLO 03266 02 OF 02 101033Z

13

ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 COME-00 SP-03 AID-20 EB-11

NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 SWF-02 DRC-01 L-03 /127 W

----- 066737

R 100800Z JUL 74

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 8435

INFO USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OTTAWA

USMISSION OECD PARIS

USMISSION NATO PARIS

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE SECTION 2 OF 2 OSLO 3266

ADDITION, IT EXPRESSED INTEREST IN PLACING 10,00 TONS OF RYE UNDER AN AGREEMENT WITH THE US (OUT OF AN ANNUAL IMPORT REQUIREMENT OF 100,000 TO 130,000 TONS OF RYE). IN TOTAL, THE GRAIN FALLING UNDER A LONG-TERM PURCHASE ARRANGEMENT BETWEEN NGC AND NAGEA COULD AMOUNT TO 250,000 TO 350,000 TONS.

6. THE THREE-YEAR AGREEMENT WITH CANADA IS FOR THE PURCHASE OF BETWEEN 60,000 AND 120,000 TONS OF WHEAT PER YEAR. NORWAY HAD A 150,000 TON WHEAT PURCHASE AGREEMENT WITH SWEDEN FOR 1973/74 AND HAS BEEN SEEKING TO RENEW IT FOR 1974/75. IN ADDITION, THE NORWEGIAN GOVERNMENT (NOT THE GRAIN CORPORATION) HAS AGREED TO PURCHASE 30,000 TO 50,000 TONS OF WHEAT A YEAR FROM FINLAND(SEE REFS). IF THE UPPER FIGURES WERE IMPORTED, CANADA, SWEDEN AND FINLAND WOJLD SUPPLY NEARLY ALL OF NORWAY'S ANNUAL 300,000 TO 350,000 TON WHEAT IMPORT REQUIREMENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OSLO 03266 02 OF 02 101033Z

7. NORWAY ALSO IMPORTS SOME 150,000 TONS OF BARLEY ANNUALLY BUT DOES NOT PURCHASE THIS GRAIN FROM THE US BECAUSE OF FEAR OF WILD-OAT CONTAMINATION. NORWAY ALLOWS A MAXIMUM WILD OAT

CONTENT OF ONE PERCENT IN ITS IMPORTED BARLEY AND THE NGC STATES IT CANNOT PURCHASE BARLEY FROM THE US WITH A WILD OAT CONTENT THIS LOW ASSURED AT COMPETITIVE PRICES. CONSEQUENTLY NORWAY IS LOOKING TO THE EC FOR ASSURANCES ON BARLEY SUPPLIES.

8. COMMENT: GIVEN THE GRAIN CORPORATION'S DECISION TO FAVOR LONG-TERM AGREEMENTS, THE US IS LOSING SALES TO OTHER SUPPLIERS WHICH ARE WILLING TO ENTER INTO LONG-TERM AGREEMENTS. THE CANADIAN WHEAT AGREEMENT IS A CASE IN POINT. THE PROPOSED LONG-TERM AGREEMENT BETWEEN THE NORWEGIAN GRAIN CORPORATION AND THE NORTH AMERICAN GRAIN EXPORTERS ASSOCIATION WOULD APPEAR TO LARGELY MEET NORWAY'S POLICY REQUIREMENTS AND TO OVERCOME THE US GERNMENT'S INABILITY TO ENTER INTO SUCH SUPPLY AGREEMENTS. IT IS HOPED THE CONCERNED AGENCIES IN WASHINGTON WILL ENCOURAGE THE DEVELOPMENT OF THIS AGREEMENT AND GIVE IT AS MUCH OFFICIAL STATURE AS POSSIBLE. THE NGC WOULD NOT DOUBT WICH TO MAINTAIN A POSITION IN THE AMERWCAN MARKET EVEN IN THE ABSENCE OF SUCH AN AGREEMENT, BUT REMEMBERING THE US EXPORT BAN ON SOYBEANS, NORWAY WANTS TO SEW UP ITS ASSURANCES OF SUPPLY TO THE EXTENT POSSIBLE. A NGC-NAGEA AGREEMENT, ESPECIALLY ONE WITH SOME SORT OF US GERNMENT STAMP OF APPROVAL, WOULD GREATLY FACILITATE THE NGC REACHING ITS LONG-ERM SUPPLY POLICY GOALS WHILE RETAINING THE US AS A MAJOR SOURCE OF SUPPLY. IT SHOULD AT THE SAME TIME HELP THE US AVOID FURTHER LOSSES IN ITS SHARE OF THE NORWEGIAN MARKET AND WOULD PERHAPS EVEN HELP REGAIN A PART OF THAT WHICH NOW APPEARS TO BE GOING TO OTHER SUPPLIERS. WITH THE NGC PURCHASE PROGRAM FOR 1974/75 NOW FIRING UP, IT IS ALSO IMPORTANT THAT AN AGREEMENT BE CONCLUDED AT THE EARLIEST POSSIBLE DATE.

9. ACTION REQUESTED- GUIDANCE FOR USE IN ANSWERING MR. HOGNA'S REQUEST FOR MY HELP IN WORKING OUT LONG-TERM GRAIN PURCHASES FROM THE UNITED STATES WHICH (A) WOULD NOT REPEAT NOT SINGLE OUT ONE COMPANY OR A SMALL GROUP OF COMPANIES AND (B) WOULD MEET HOGNA'S POLICY REQUIREMENTS FOR SOME SORT OF AGREEMENT WITH THE U.S. BYRNE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, GRAINS, GOVERNMENT MONOPOLIES, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OSLO003266
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740183-0396
From: OSLO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740761/aaaacaje.tel
Line Count: 259
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) OSLO A-58(NOTAL); (B) OSLO 1862, (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2002 by worrelsw>; APPROVED <19 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GRAIN SALES TO NORWAY
TAGS: BEXP, EAGR, US, NO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005